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**BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA**

**In the Matter of the Application of
BALBOA ISLAND FERRY, INC., a
California corporation, (VCC-2),
For Authorization to Increase Fares
On Its Vessel Common Carrier Service
On Newport Bay Between Balboa Island
And the Balboa Peninsula in the City
Of Newport Beach**

**APPLICATION OF BALBOA ISLAND FERRY, INC., A CALIFORNIA
CORPORATION, (VCC-2), FOR AUTHORIZATION TO INCREASE
FARES ON ITS VESSEL COMMON CARRIER SERVICE ON NEWPORT
BAY BETWEEN BALBOA ISLAND AND THE BALBOA PENINSULA IN
THE CITY OF NEWPORT BEACH**

BALBOA ISLAND FERRY, INC., a California corporation (“Applicant” herein), hereby respectfully applies to the Public Utilities Commission of the State of California (“Commission”) for authorization to increase fares on its Vessel Common Carrier service on Newport Bay in the City of Newport Beach. Applicant is a Vessel Common Carrier (VCC-2) authorized by the Commission to transport passengers and vehicles by ferryboat between Balboa Island and the Balboa Peninsula, all within the city limits of Newport Beach in Orange County. In support of its Application and pursuant to Sections 454 and 491 of the Public Utilities Code, Applicant alleges as follows:

INTRODUCTION

1. Applicant is a California corporation which has been duly organized and is existing under the laws of the State of California and is authorized to do business in the State of California.
2. Applicant's corporate and operational business office is located at 410 South Bay Front, Balboa Island, CA 92662.
3. Notices, correspondence and communications with respect to this Application should be addressed to the Applicant's Attorney:

Daniel F. Reidy, Esq.
Law Offices of Daniel F. Reidy
270 Blair Mine Road
Angels Camp, CA 94522
Tele: (209) 736-0712
E-mail: dfreidy@pacbell.net

and to the Applicant's President:

H.S. Beek
Balboa Island Ferry, Inc.
410 South Bay Front
Balboa Island, CA 92662
Tele: (949) 673-1070
Fax: (949) 673-1639
E-mail: sbeek@earthlink.net

SCOPING INFORMATION FOR THE PROCEEDING

4. Pursuant to Commission Rule 2.1(c), Applicant proposes that this Application be processed as a **Ratesetting**, without any need for hearings or public witness evidence. There are no other vessel common carriers under the jurisdiction of the Commission that are authorized to operate on the same routes as the Applicant does within Newport Bay, and therefore there are no

competitors that would be adversely affected by the requested rate increase. This Applicant's prior requests for passenger fare increases were processed by the Commission without any protests or controversy.

The specific issues that need to be addressed in the proceeding are:

- (1) That the proposed increases the fares for passengers and vehicles are justified, necessary and reasonable.
- (2) That the projected Operating Ratio which would result from the proposed fare increase is within the reasonable range of prior Commission approvals for vessel passenger common carriers.

Should the Commission decide to conduct any public hearings, here is the Applicant's proposed schedule for processing this Application:

<u>April 17, 2019</u>	Prehearing Conference
<u>May 15, 2019</u>	Hearings
<u>May 1, 2019</u>	Pre-Hearing Briefs due
<u>May 29, 2019</u>	Post-Hearing Briefs due and Submission
<u>June 27, 2019</u>	Proposed Decision (30 days after Submission)
<u>July __, 2019</u>	Final Decision (Next Commission Hearing)

BACKGROUND

5. Applicant is a Vessel Common Carrier (VCC-2) authorized by the Commission to carry passengers and vehicles on Newport Bay between Balboa Island and the Balboa Peninsula. Applicant has been providing vessel common carrier service on this service route continuously since 1919, and since 1930 this service has been provided pursuant to the California Railroad Commission Decision (D).22747. Current service under CPCN VCC-2 was authorized by the Commission in 1959 in Decision D.57847. Applicant's Articles of Incorporation were filed with the Commission when it obtained its VCC-2 authority. Applicant's Certificates of Insurance for its vessels are on file with the Commission. Applicant provides the only ferry service to and

from Balboa Island, and its continued viability is critical to Balboa Island's residents, visitors, and businesses.

6. Applicant has requested and received authority from the Commission for only two fare increases in the last twenty years, namely:

(1) By Application No. 02-05-049 filed on May 23, 2002, Applicant demonstrated to the Commission that the requested increased fares were justified because of projected expenses for insurance, rent, labor and related costs and that , and they were approved by the Commission in Decision D.02-12-036 dated December 17, 2002.

(2) By Application No. 06-11-015 filed on November 20, 2006, Applicant requested fare increases for adult passengers from \$0.60 to \$1.00, for child passengers from \$0.30 to \$0.50, for passenger automobiles and trucks from \$1.00 to \$1.50, and for the 30-Ride Commuter Card from \$25.00 to \$35.00, and on April 12, 2007, the Commission approved the requested fare increases in Decision D.07-04-013, finding that: "The increased fares are reasonable because of constantly rising expenses, particularly labor, fuel, insurance and rent."

7. Applicant's level of service and number of trips have remained relatively constant since 2000. However, the number of passengers using the service has been declining in recent years, which has resulted in declining revenues derived from the ferry service, as shown in the following list of annual revenues:

(1) Ferry Revenues for 2014: \$1,858,682.

(2) Ferry Revenues for 2015: \$1,890,069.

(3) Ferry Revenues for 2016: \$1,876,684.

(4) Ferry Revenues for 2017: \$1,805,049.

(5) Ferry Revenues for 2018: \$1,761,640.

Variations in passenger ridership can be due to weather conditions, special events, or other attractions in the area that add or subtract passengers to or from the Applicant's service.

PROPOSED FARES REQUESTED BY APPLICANT

8. Applicant is requesting authorization from the Commission to increase its current fares by the amounts set forth in Table 1 below:

TABLE 1: PRESENT AND PROPOSED FARES

	ONE-WAY FARES (In U.S. Dollars)	
	<u>PRESENT</u>	<u>PROPOSED</u>
PEDESTRIAN PASSENGER FARES		
Adult.....	\$ 1.00	\$ 1.25
Child (age 5 through 11 years).....	0.50	0.50
Child (age under 5).....	0.00	0.00
VEHICLE FARES (includes driver)		
Automobile and Driver.....	2.00	2.25
Truck and Driver.....	2.00	2.25
Bicycle:		
With adult driver.....	1.25	1.50
With child driver.....	0.75	0.75
Motor Scooter or Motorcycle and Driver.....	1.50	1.75
Vehicle not otherwise specified.....	2.00	2.25
30-RIDE COMMUTER TICKET BOOK		
For passenger automobiles or trucks (with driver)...	35.00	45.00
VEHICLE PASSENGERS		
Adult	1.00	1.25
Child (age 5 through 11)	0.50	0.50

NOTE 1: Fares are collected in cash during the approximately 4-minute ferry crossing. To facilitate the collection process, all fares are in multiples of 25 cents.

NOTE 2: Children under 5 years accompanied by an adult will be carried without charge. Children under the age of 5 years traveling alone will not be carried.

NOTE 3: Only hand baggage carried by a passenger will be allowed, and it will be transported without charge.

JUSTIFICATIONS FOR THE REQUESTED FARE INCREASE

9. **Increases in Applicant's Operating Costs.** The Applicant has experienced significant increases in operating costs since the last fare increase approval granted by the Commission in April of 2007 in Decision D.07-04-013, and especially in the last few years. Increased operating costs have been incurred in the following categories over the last four years:

A. **Salaries** (Officers, Vessel Crewmembers, Maintenance Workers, Administrative Employees):

2015: \$805,960

2016: \$808,955

2017: \$853,319

2018: \$913,801.

B. **Insurance** (Liability & Health)

2015: \$171,945

2016: \$197,260

2017: \$220,145

2018: \$224,955.

C. **Maintenance** (Docks and Piers, Ferry Vessels, Shop)

2015: \$205,083

2016: \$144,308

2017: \$110,808

2018: \$224,288.

D. **Fuel**

2015: \$38,088

2016: \$36,749

2017: \$42,730

2018: \$53,618.

10. **Projected Increases in Expenses in a Theoretical Next Year.**

The Applicant is projecting that its expenses will be significantly higher in a Theoretical Next Year than they were in 2018 in a number of the categories, as shown on Table 2 below, and as explained further below:

TABLE 2: ACTUAL AND PROJECTED EXPENSES

Categories of Expenses	Actual – 2018	Theoretical Next Year
Salaries	\$913,801	\$1,019,000
Employee Benefits & Expenses	71,520	99,600
Rent & Franchise & Lease Costs	151,321	157,000
Insurance (Liability & Health)	224,955	229,400
Maintenance (Docks & Piers, Ferries, Shop)	224,288	115,700
Fuel	53,618	60,400
Office & Administration Costs, Fees & Utilities	49,378	53,200

The significance of these projections of expenses is explained below:

(1) The combined salaries for vessel crew members, maintenance workers, administrative staff and officers are projected to increase from \$913,801 in 2018 up to \$1,019,000 in the theoretical next year, an increase of \$ 105,199, which would be an increase of 11.5% over current total salaries in one year. Labor costs have risen sharply in the past year because there has been a shortage of licensed captains, with a resulting need to increase the salaries for captains to retain captains and attract new ones. In addition, the annual increase in the minimum wage in California has had a significant effect on Applicant's labor costs, since a large portion of its employees are part-time and seasonal deckhands who are paid the minimum wage.

(2) The costs of employee benefits and expenses, including retirement plan contributions, drug testing, employee training, and employee uniforms, are projected to increase from \$71,520 in 2018 up to \$99,600 for the theoretical next year, which represents a projected 39% increase. These projected higher costs are necessary to respond to the ongoing high turn-over in the crews of the ferry vessels noted above.

(3) The combined costs for rent, tidelands leasing costs and a franchise fee are projected to increase from \$151,321 in 2018 up to \$157,000 in the theoretical next year, which represents a projected 4% increase. The Applicant pays rent for its office and its shop with a private landlord and also pays leasing costs for use of the tidelands on both sides of the Bay under a lease with the City of Newport Beach and also pays the City a franchise fee for operating the ferry service.

(4) The costs for insurance, both liability and health coverage, are projected to increase from \$224,955 in 2018 up to \$229,400 in the theoretical next year, which represents a projected 2% increase in insurance costs in one year.

(5) The projected decline in the combined costs of maintenance in the theoretical next year requires explanation. An extensive repair to one of Applicant's ferryboats was required in 2018 costing \$72,053. This resulted in the cost of ferry maintenance in 2018 to almost triple the 2017 amount. Ferryboat maintenance for the theoretical next year has been forecast at 3% above the 2017 amount, which is consistent with past increases in maintenance costs.

(6) The costs for fuel used to operate the ferry vessels are projected to increase from \$53,618 in 2018 up to \$60,400 in the theoretical next year, which represents a 12.6% increase in one year.

(7) The costs for providing office support and administration of the Applicant's operations, and related fees and utilities such costs for power and telephone service, are projected to increase from as total of \$49,378 in 2018 up to \$53,200 in the theoretical next year. While this is less than a 1% increase in one year, it is reasonable to expect that this category of operating costs will continue to experience increases in subsequent years.

11. Current and Projected Annual Income and Expenses.

In 2018, the Applicant's revenues from its ferry passenger fares and miscellaneous related income totaled \$1,784,812, and its expenses totaled \$1,817,315, which means that the Applicant experienced a net loss of \$32,503 in 2018.

The Applicant has projected revenues and expenses for a "theoretical next year" that assumes that the requested fare increases are in place for the entire year. The Applicant projects that the revenues for the theoretical next year from ferry passenger fares with the requested fare increases in place will total \$2,059,376, as shown on Table III below. The Applicant projects that the expenses for the theoretical next year will total \$1,862,843. With the Commission approving requested ferry passenger fares, the Applicant's vessel common carrier service would operate in the theoretical next year with a net operating profit of approximately \$196,533 before federal income tax.

TABLE 3: CURRENT AND PROJECTED ANNUAL TRAFFIC AND REVENUES

ITEM	2017 Number of Trips	2017 Fare	2017 Revenue	TNY* Number of Trips	TNY* Proposed Fare	TNY* Projected Revenue
Automobile – full fare	287,479	\$2.00	\$574,958	273,105	\$2.25	\$614,486
Automobile – commuter	50,731	1.667**	59,186	48,194	1.50	72,291
Pedestrian – adult	587,079	1.00	587,079	557,725	1.25	697,156
Pedestrian – child	21,135	0.50	10,568	21,135	0.50	10,568
Auto passengers – full fare	287,479	1.00	287,479	273,105	1.25	341,381
Auto passengers – commuter	10,146	1.00	10,146	9,639	1.25	12,049
Bicycle – adult	193,736	1.25	242,170	184,049	1.50	276,074
Bicycle – child	21,135	0.75	15,851	21,135	0.75	15,851
Motorcycle, motorscooter	11,741	1.50	<u>17,612</u>	11,154	1.75	<u>19,520</u>
TOTAL FERRY REVENUE			\$1,805,049			\$2,059,376

* TNY: Theoretical Next Year; projections assume fare increases effective for entire year.

** "Rounded."

Based on its prior experience over the years, the Applicant expects that its expenses will continue to increase in the future in subsequent years of operating the service beyond the theoretical next year. The Applicant does not receive any subsidies from public agencies for its service, and it relies solely on revenues from ferry operations and miscellaneous related income to cover its operational expenses and to make a reasonable return on its investments in the service. With rising operational costs, the Applicant cannot afford to continue to operate with significant losses, and as a Commission-authorized vessel common carrier, the Applicant is entitled to operate at a reasonable profit.

12. **Projected Operating Ratio With Requested Fare Increase.** The Commission's practice has been to evaluate rate increase proposals for vessel utilities by reviewing their operating ratios. "Operating Ratio" is defined as "the ratio of operating expenses, including depreciation expenses and taxes, to gross revenue. It shows the proportion of annual gross revenues which are required to meet the costs of doing business before compensation to investors."¹ For 2018, when the Applicant's total expenses exceeded the total gross revenues, the Applicant's Operating Ratio was 101.8%. With the projected total operating expenses for the Applicant's Commission-regulated passenger vessel common carrier service for the theoretical next year totaling \$1,862,843, and the Applicant's projected revenues for the theoretical next year with Commission-approved revised passenger fares as requested and related miscellaneous revenue totaling \$2,059,376, the resulting projected operating profit for the theoretical next year of \$196,533 would be only 0.1055 of the expenses, which represents an Operating Ratio of 90.5%. The Commission has generally approved requests for base passenger fare increases for other vessel common carriers with projected Operating Ratios that did not fall below 90.0%, so the Applicant's projected Operating Ratio is within the acceptable range.

¹ *In re Application of Catalina Channel Express*, Decision No. 96-04-048 dated April 10, 1996; 65 CPUC2d 339; 1996 Cal. PUC LEXIS 268.

13. **No Substantial Burden for Passengers of the Ferry Service.** The requested passenger fare increases of twenty-five cents (\$0.25) for adult pedestrians, automobile and driver, truck and driver, bicycles with adult driver, motor scooter or motorcycle and driver, vehicles not otherwise specified, and adult passengers amount to relatively modest incremental increases. The Applicant is not requesting increases in the fares for children. The requested increase in the 30-Ride Commuter Ticket Book for passenger automobiles or trucks (with driver) would bring the cost of each commuter ticket up to \$1.50, which would be two-thirds (2/3) of the requested cash fare of \$2.25 for automobiles and trucks with driver and represents a significant discount over individual cash payments per trip.

14. **No Adverse Effects on Other Common Carriers.** There are no vessel common carriers under the jurisdiction of the Commission that are authorized to operate on the service route provided by the Applicant on Newport Bay between Balboa Island the Balboa Peninsula, and therefore there are no competitors that would be adversely affected by the requested rate increase.

15. **No Adverse Environmental Impacts.** It can be seen with certainty that there is no possibility that the proposed passenger rate increase will have a significant adverse effect on the environment. The existing vessel route and the operations of Applicant's existing scheduled ferry passenger service will not be changed in any way, so no changes to the physical environment will result from the increased fares.

16. **Notice of this Application Furnished to Local Governments.** As documented by the Certificate of Service attached hereto, copies of this Application were sent by mail to the City Clerk and the City Attorney of the City of Newport Beach, to the Clerk of the Orange County Board of Supervisors, and to the Office of the County Counsel of Orange County.

17. **Request for Prompt Approval of the Application.** Short notice authority under Section 491 of the Public Utilities Code is requested so that the proposed rates can be published as soon as possible upon authorization. This Application is one which may be handled under the Commission's *ex parte* procedure for immediate approval, since there will be no adverse impacts on any other common carrier passenger ferry services. The Applicant proposes a prior notice period to the public of ten (10) days.

WHEREFORE, Applicant BALBOA ISLAND FERRY, INC. prays that the Commission issue the following *ex parte* order:

1. Authorizing Applicant, pursuant to Section 454 of the Public Utilities Code, to collect fares for vehicles and passengers on its ferry service as shown on Table 1 in Paragraph 7 above; and

2. Authorizing Applicant, pursuant to Section 491 of the Public Utilities Code, to publish the permanent passenger fare rates effective on short notice. The notice period requested is ten (10) days.

Respectfully submitted on behalf of the Applicant Balboa Island Ferry, Inc.

By: /s/Daniel F. Reidy Dated: March 6, 2019
Daniel F. Reidy, Esq.
Its Authorized Representative

VERIFICATION

I, H.S. BEEK, hereby declare:

I am the President of BALBOA ISLAND FERRY, INC., a California corporation, the Applicant herein, and I am authorized to make this verification on its behalf.

The statements in the foregoing document are true of my own knowledge, except as to matters on which I am relying on my staff for information, such as the revenues and expenses figures and projections, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 6, 2019, at Balboa Island, California.

/s/ H.S. Beek
H.S. Beek

AUTHORIZATION OF REPRESENTATIVE

I, H.S. BEEK, hereby declare:

I am the President of BALBOA ISLAND FERRY, INC., a California corporation, the Applicant herein, and I have the authority to make this Authorization of Representative on its behalf.

I hereby authorize Daniel F. Reidy, Esq., of LAW OFFICES OF DANIEL F. REIDY, a Professional Corporation, with its principal business office located at 270 Blair Mine Road, Angels Camp, CA 95222, to represent BALBOA ISLAND FERRY, INC. in this proceeding and to file documents and to speak on behalf of the Applicant in this proceeding.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 6, 2019, at Balboa Island, California.

/s/ *H.S. Beek*
H.S. Beek

CERTIFICATE OF SERVICE BY MAIL

I, BRENDA D. REIDY, hereby certify and declare as follows:

I am a citizen of the United States over the age of eighteen years, and I am not a party to this proceeding. My business address is 270 Blair Mine Road, Mailing Address P.O. Box 760, Angels Camp, CA 95222. On the date stated below, in Calaveras County, which is the county of my employment, I served the following document:

APPLICATION OF BALBOA ISLAND FERRY, INC., A CALIFORNIA CORPORATION, (VCC-2), FOR AUTHORIZATION TO INCREASE FARES ON ITS VESSEL COMMON CARRIER SERVICE ON NEWPORT BAY BETWEEN BALBOA ISLAND AND THE BALBOA PENINSULA IN THE CITY OF NEWPORT BEACH

on interested parties by placing a true copy thereof enclosed in a sealed envelope on March 6, 2019 by mail with postage thereon fully prepaid, in the United States Post Office at Angels Camp, California, addressed as on the attached Service List.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed at Angels Camp, California on March 6, 2019.

/s/ Brenda D. Reidy
BRENDA D. REIDY

SERVICE LIST

City of Newport Beach City Clerk City of Newport Beach City Hall 100 Civic Center Drive Newport Beach, CA 92660	City of Newport Beach City Attorney City of Newport Beach City Hall 100 Civic Center Drive Newport Beach, CA 92660
Clerk of the Board of Supervisors Orange County Hall of Administration 333 West Santa Ana Blvd. Santa Ana, CA 92701	Office of the County Counsel Orange County Hall of Administration 333 West Anta Blvd. Santa Ana, CA 92101